# JSE LIMITED

## INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

# Contents


Notes:

## Operating environment for H1 2018

**Globally**

- Sell-off in emerging markets impacting currencies and cash equities
- Trade policy of US President takes its toll on confidence levels around the world. Fed hiked rates by the expected 0.25% and two additional rate hikes expected this year
- ECB announced plans to wind down its R31tn quantitative easing programme by year end maintained rates at current levels
- UK continues to feel strain of unresolved Brexit negotiations

**IN SA**

- Political landscape dominated by President Ramaphosa appointment and subsequent cabinet reshuffle as well as uncertainty on land expropriation
- VAT increase to 15% effective from 1 April 2018 and interest rates lowered by 25 bps at the end of March
- Attention on JSE regulatory framework given noise around Steinhoff and other prominent issues
- SA's first quarter GDP shrinks by 2.2% - biggest negative contributors to growth were agriculture, mining and manufacturing industries
- Net sales of SA bonds by foreigners

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Notes:

## H1 2018 market activity

**11%** Billable equity value traded* (H1 2017: -13%)

**5%** Equity transactions (H1 2017: 4%)

**10** Number of IPOs (H1 2017: 8)

**4%** Equity derivatives value traded (H1 2017: -18%)

**26%** Interest rate derivatives contracts (H1 2017: 23%)

**11%** Commodity derivatives contracts (H1 2017: -20%)

**7%** Currency derivatives contracts (H1 2017: 36%)

**13%** Bond nominal value (H1 2017: -12%)

* Central order book published statistics ↑ 12%, H1 ADV ↑ 10% to R28bn per day (H1 2017: R26bn per day)

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Notes:

## How this translated in our business

**7%** R1.2bn Operating revenue (H1 2017: R1.1bn)

**5%** R613m Operating expenses (H1 2017: R644m)

**29%** R582m EBIT (H1 2017: R453m)

**34%** R561m NPAT (H1 2017: R419m)

**7%** R522m Net cash flow from operations (H1 2017: R488m)

**33%** 654.7c EPS (H1 2017: 490.9c)

**34%** 654.6c HEPS (H1 2017: 488.9c)

**R42m** Total capital investment (H1 2017: R97m)

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Notes:

# Financial **performance**

| (Rm) | H1 2018 | H1 2017 |
|---|---|---|
| Revenue | 1 153 | 1 083* |
| Other income | 42 | 14* |
| Total revenue | 1 195 | 1 097 |
| Personnel expenses | (202) | (245) |
| Other expenses | (411) | (399) |
| Total expenses | (613) | (644) |
| EBIT | 582 | 453 |
| EBIT % | 49% | 41% |
| Net finance income | 122 | 111 |
| Share of profit from associate (net of income tax) | 28** | 21 |
| Profit before income tax | 732 | 585 |
| Income tax expense | (171) | (165) |
| NPAT | 561 | 419 |
| NPAT % | 47% | 38% |
| EPS (cents) | 654.7 | 490.9 |
| HEPS (cents) | 654.6 | 488.9 |

*Restated Company services from other income to revenue ** Rounded down

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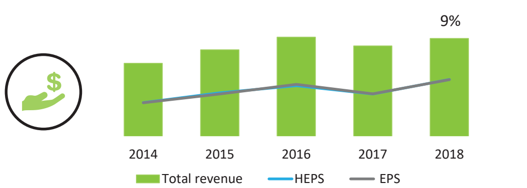
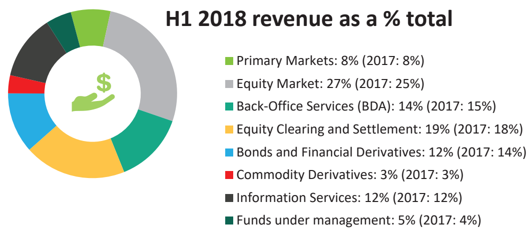
Notes:

# Trends

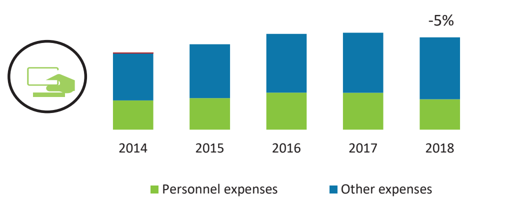
## H1 total revenue



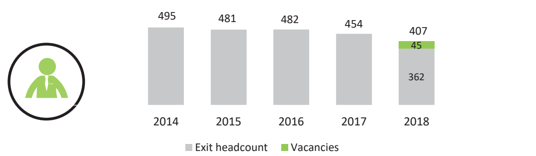

## H1 2018 revenue as a % total




## H1 expenses




## June exit headcount

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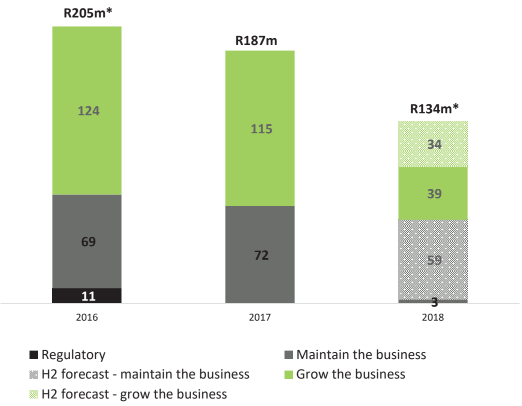
Notes:

# External and internal capital expenditure




**Grow the business**

- Integrated Trading and Clearing project 1 - 2016, 2017, 2018
- ETP for government bonds – 2016, 2017, 2018
- Colocation - 2018

**Maintain the business**

- Business as usual – 2016, 2017, 2018
- HR system – 2017, 2018
- Customer relationship management system - 2016

**Regulatory**

- T+3 Phase 3 - 2016

*Rounding difference

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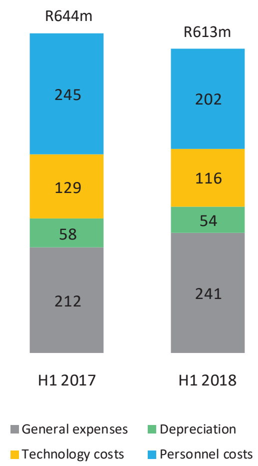
Notes:

# Operating expenditure




**Total operating expenses down 5% to R613m (2017: R644m)**

Personnel costs ↓ 17% or R43m (2017: ↓ R1m or 0.2%) to R202m (2017: R245m)

- Gross remuneration ↓ 19% or R29m as a result of average headcount ↓ 22%. Headcount at June ↓ 20% to 362* (2017: 454). Contributes -12 percentage points
- The long-term incentive scheme charges ↓ R16m to R10m (2017: R26m) owing to timing differences in vesting (-R9m) and a higher proportion of LTIS vesting in the prior year (-R7m). This contributed -6 percentage points

Technology costs down ↓ 10% or R13m to R116m (2017: R129m) primarily due to cost optimisation initiatives

Depreciation ↓ 7% or R4m to R54m (2017: R58m), largely owing to the net effect of fully depreciated assets

General expenses ↑ 14% or R29m to R241m (2017: R212m) largely owing to:

- Growth in expenses of R8m mostly related to Strate ad valorem which is fully offset by revenue
- Increased Internal audit and compliance spend of R7m as part of an enhanced co-sourced engagement model

*Excludes learners

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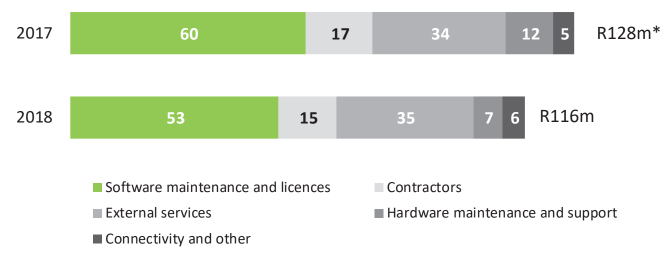
Notes:

# Technology cost composition

Technology costs ↓ 10% to R116m

Cost saving initiatives resulted in significant reductions in software and hardware maintenance support spend




Contains rounding difference

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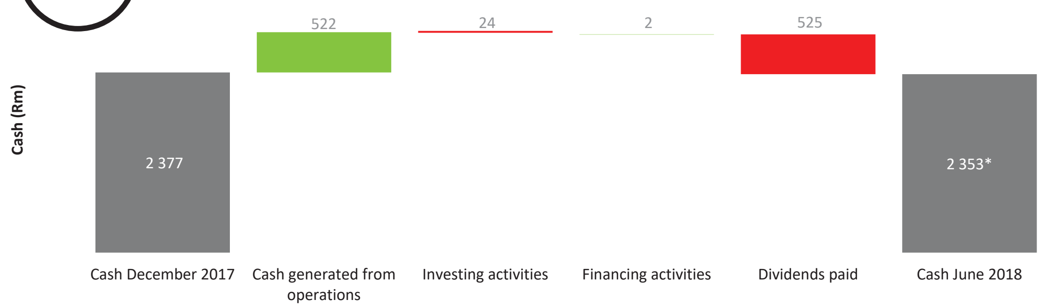
Notes:

# Cashflow view

Strong cashflow and no debt




*Rounding difference

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Notes:

# Capex external spend

Capital intensity policy applied from 2018

| PROJECT / INITIATIVE | H1 2018 | H2 2018 | FY 2018 | FY 2017 |
|---|---|---|---|---|
| Integrated Trading and Integrated Clearing project | 29 | 20 | 49 | 100 |
| ETP for government bonds | 1 | - | 1 | 1 |
| HR system | 1 | - | 1 | 4 |
| Colocation | 3 | 1 | 4 | - |
| ECS | 2 | - | 2 | - |
| **Project capex** | **36** | **21** | **57** | **105** |
| Business as usual | 3 | 65 | 68 | 67 |
| **Total external capex spend** | **39** | **86** | **125** | **172** |

Total spend on the Integrated Trading and Clearing project 1 is expected to be in the order of R400m by end 2018

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Notes:

# BUSINESS REVIEW


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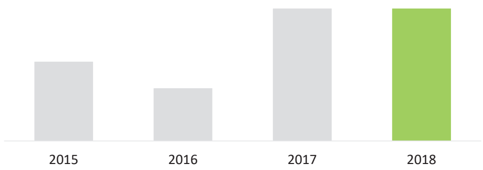
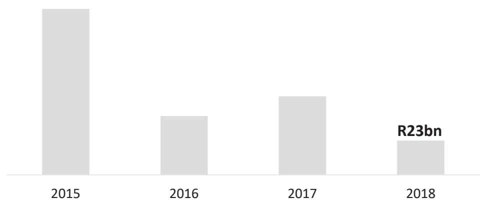
Notes:

## Capital Markets: Primary Market

Revenue




Additional equity capital raised




### 8% of total revenue in H1 2018

Revenue flat at R82m (2017: R82m)

**Main Board**
10 company listings (2017: 8)
11 ETFs (2017: 4)
116 warrants and structured products (2017: 121)
12 delistings (2017: 10)
1 REITs (2017: 1)
1 fast-track listing (2017: 0 )

**AltX**
1 listing (2017: 4)

**Bonds**
243 listed bonds (2017: 294)
Total nominal value of listed bonds: R2.7tn (2017: R2.5tn)
Listed project bonds launched 1 March 2018
Growthpoint Green Bond

**Strategic focus for H2**
- Finalise the professional debt market segment
- Equity trading rules for restricted trading segment

Revenue % changes calculated on unrounded figures

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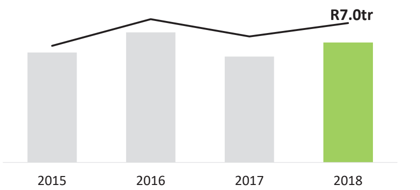
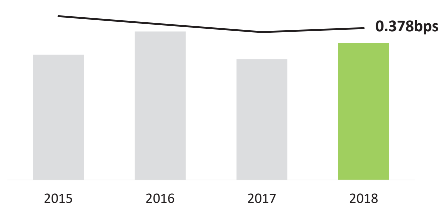
Notes:

## Capital Markets: Equity Market

Billable value traded




Trading effective rate




### 27% of total revenue H1 2018

Revenue ↑ 12% to R277m (2017: R247m)

Billable value traded ↑ 11%

Transactions ↓ 5%

**Colocation**
28 racks (2017:23 racks)
2 new racks added in July 2018

**Tiered billing model**
Effective 30 July 2018
Includes complex order suite

**Strategic focus for H2**
- Expand Colocation offering

*Equity market revenue adjusted to include Trading Services

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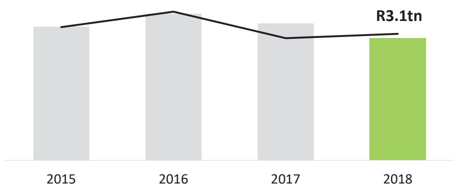
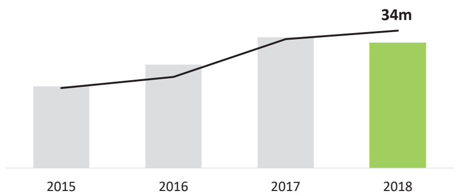
Notes:

# Capital Markets: Bonds and Financial Derivatives

### Equity derivatives value traded




### Currency derivatives contracts traded




### 12% of total revenue H1 2018

**Revenue ↓ 5% to R125m (2017: R132m)**

Equity derivatives revenue ↓ 10% to R75m (2017: R84m)
- Contracts traded ↓ 61% to 71.1m (2017: 181.4m)
- Value traded ↑ 4% to R3.1tn (2017: R2.9 tn)

Currency derivatives revenue ↓ 2% to R23m (2017: R24m)
- Contracts traded ↑ 7% to 34m (2017: 32m)
- Value traded ↑ 17% to R507bn (2017: R433bn)

Bonds and Interest Rate Market revenue ↑ 11% to R27m (2017: 24m)
- Bond Market nominal value traded up ↑ 13% to R15.07tn (2017: R13.3tn)
- Interest rate derivatives contracts traded ↑ 26% to 6.7m (2017: 5.3m)

ETP launched 18 July 2018

**Strategic focus for H2**
- ITaC targeted go-live Q4 2018

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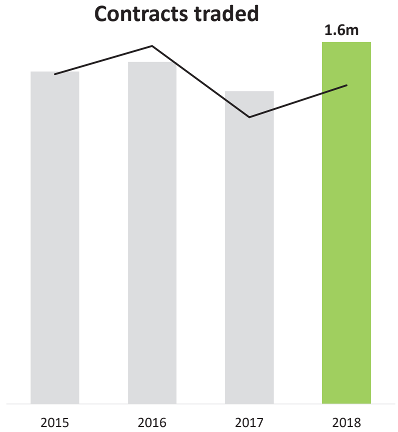
Notes:

# Capital Markets: Commodity Derivatives

### Contracts traded




### 3% of total revenue H1 2018

**Revenue ↑ 18% to R37m (2017: R32m)**

Value traded ↑ 10% to R311bn (2017: R284bn)

Contracts traded ↑ 11% to 2m (2017: 1m)

Open interest ↓ 2%

Revenue % changes calculated on unrounded figures

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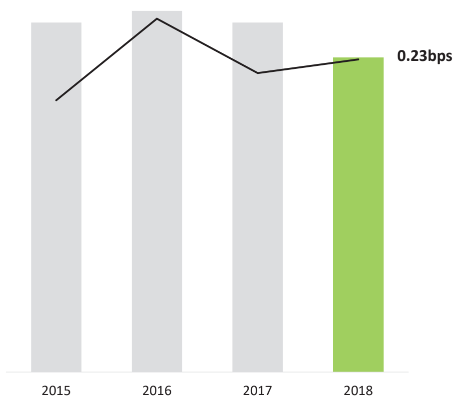
Notes:

## Post-Trade Services: Back-Office Services (BDA)

**Effective rate**




**14% of total revenue H1 2018**

Revenue ↓ 2% to R147m (2017: R150m)

Correlated to Equity Market transaction volumes

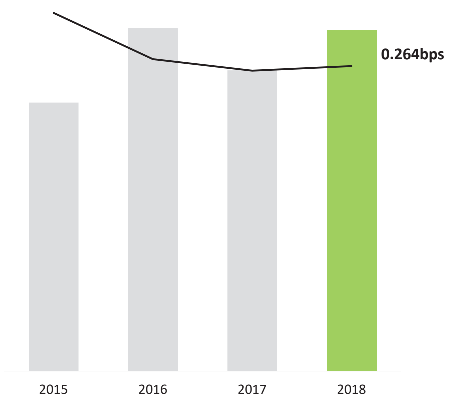
**Strategic focus for H2**
- Maintain BDA for foreseeable future
- Design of Equity CCP risk and operating model and define implications for BDA

Revenue % changes calculated on unrounded figures 17

Notes:

## Post-Trade Services: Equity Clearing and Settlement

**Effective rate**




**19% of total revenue H1 2018**

Revenue ↑ 13% to R211m (2017: R186m)

Correlated to Equity Market value traded

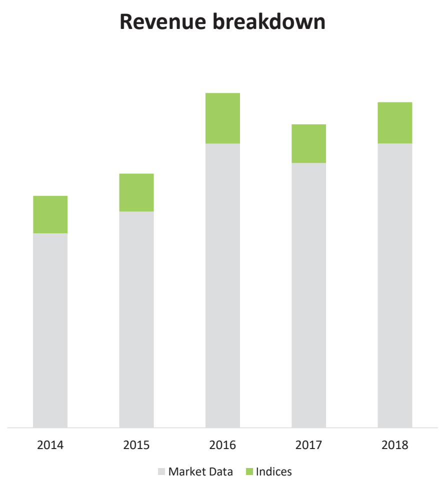
Reflects only Equity Market clearing and settlement fees

**Strategic focus for H2**
- ITaC targeted go-live Q4 2018
- Further progress on enhanced operational resilience

Revenue % changes calculated on unrounded figures 18

Notes:

# Information Services: Includes Market Data




## 12% of total revenue H1 2018

Revenue ↑ 7% to R134m (2017: R125m*)

**Market Data**
9 new clients (2017: 13)
3 local clients and 6 international clients

**Indices**
AUM ↑ 9% to R559bn (2017: R512bn)
New director of IS appointed

**Strategic focus for H2**
- Transition existing JSE fixed income index series to FTSE Russell
- Review of equity benchmark indices

* Adjusted as Colocation Services moved to Capital Markets and London Point of Presence included

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Notes:


Notes:

## H2 2018 strategic priorities

- Complete ITaC to drive growth
- Driving IS strategy
- Maintain strong cost controls and deliver the relevant portion of the committed cost savings
- Progress our operational resilience
- Embed the agile, client-led culture embodied in the JSE Way
- Lead by example on the national agenda by demonstrating a visible commitment to transformation

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Notes:

## QUESTIONS

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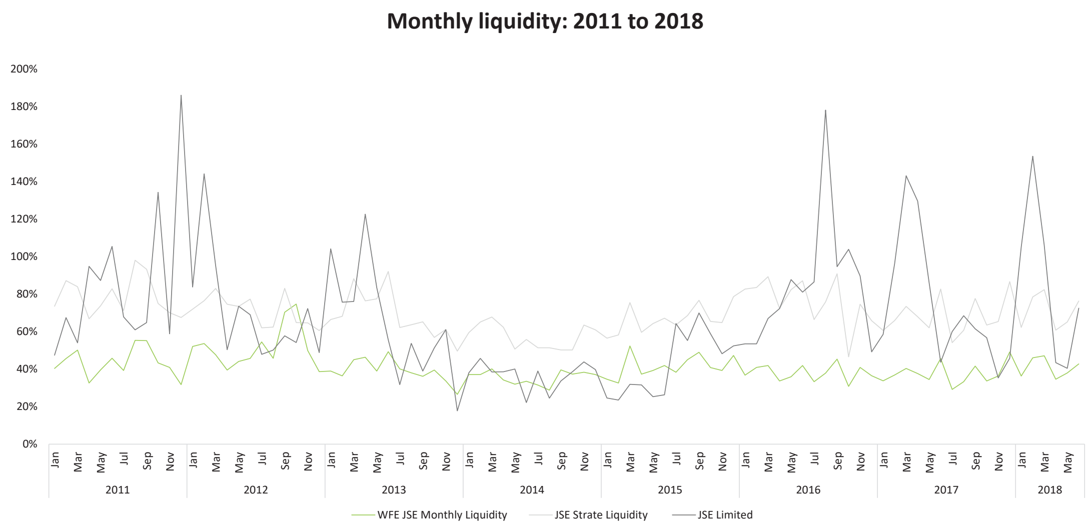
Notes:

# JSE Liquidity

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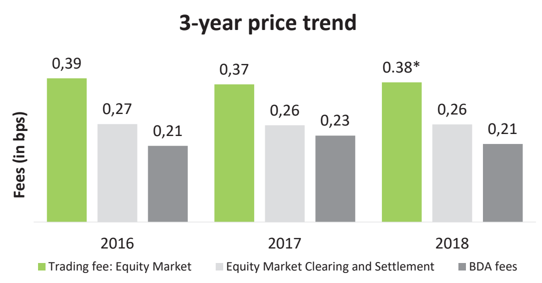
Notes:

# Equity Market: JSE effective pricing trend




2016 BDA fee reduced by 20%

2016 Option Delta(OD) fee reduced to zero

2017 BDA fee reduced by 8%, 2018 BDA fee remained unchanged

*Accounts for increase of 6% on trading fee cap from R355 to R375 on 1 January 2018

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Notes:

# Financial metrics

| Ratios | H1 2018 | H1 2017 | H1 2016 | H1 2015 | H1 2014 |
|---|---|---|---|---|---|
| Operating margin | **49%** | 41% | 47% | 46% | 43% |
| EPS | **654.7** | 490.9 | 599.7 | 503.9 | 389.4 |
| HEPS | **654.6** | 488.9 | 585.1 | 490.3 | 391.2 |
| EBITDA | **636** | 511 | 614 | 535 | 428 |

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Notes:

# Personnel expenses – Note 9.1

| (R'm) | H1 2018 | H1 2017 |
|---|---|---|
| **Profit before taxation comprises:** | | |
| **Personnel expenses** | | |
| Remuneration paid to employees | 175 895 | 201 339 |
| Fixed-term contractors | 4 312 | 6 750 |
| Contribution to defined contribution plans | 7004 | 8 221 |
| Directors emoluments | 10 654 | 10 177 |
| Executive directors | 6 135 | 5 981 |
| Non-executive directors | 4 519 | 4 196 |
| Long-term incentive scheme | 10 108 | 25 906 |
| JSE LTIS 2010* | 10 108 | 25 906 |
| **Gross personnel expenses** | **207 973** | **252 393** |
| **Less: Capitalised to intangible assets** | **(5 977)** | **(7 725)** |
| **Total** | **201 996** | **244 668** |

** Includes Critical skills cash scheme and bonus shares.*

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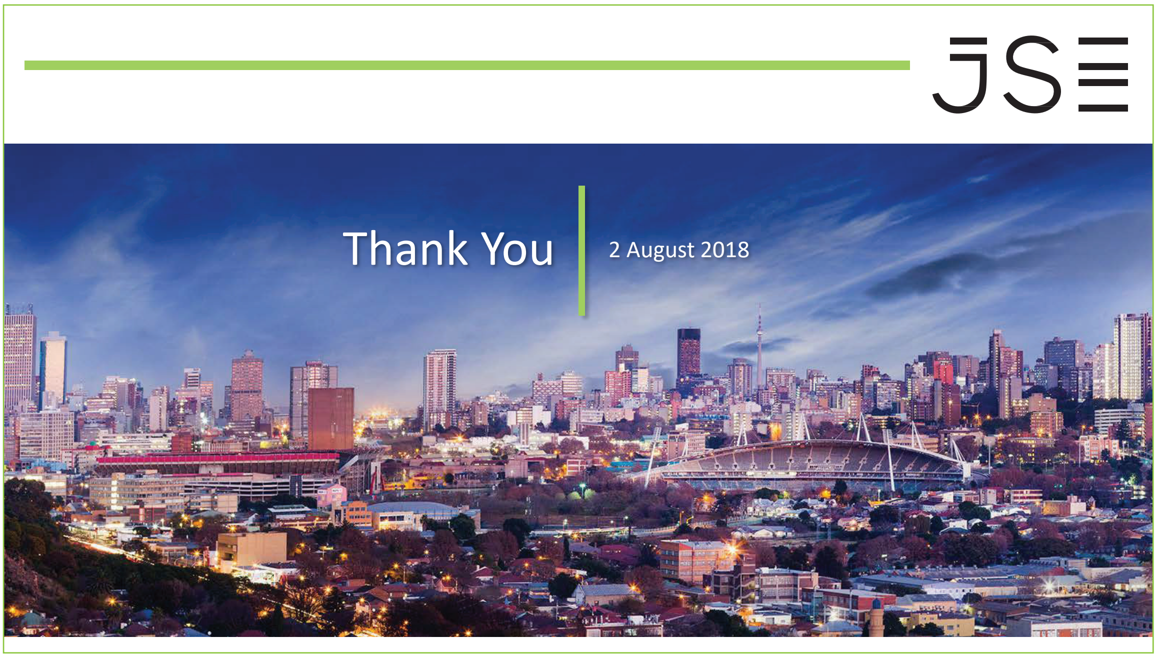
Notes:




Notes:

JSE Limited
(Incorporated in the Republic of South Africa)
Registration number: 2005/022939/06
Share code: JSE
ISIN: ZAE000079711

# JSE LIMITED UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

## Responsibility for interim results

The condensed consolidated interim financial statements of the JSE Limited (the "JSE", the "Company" or the "Group") have been prepared in accordance with all the applicable requirements of the Companies Act, 71 of 2008, under the supervision of the chief financial officer, Aarti Takoordeen CA(SA). No review has been performed by the Group's independent auditors; instead they performed agreed-upon procedures on the long-term incentive scheme and disclosures in these interim financial statements, since the Group Audit Committee regards this type of engagement as more appropriate. The performance of the agreed-upon procedures by the Group's independent auditors resulted in no findings that the Group Audit Committee considers material. The directors take full responsibility for the preparation of this report.

## Commentary

Revenue performance in the first quarter was strong, but the slow-down in volatility in the second quarter trimmed gains. Increased activity in all of our markets translated into operating revenue increasing by 7% (H1 2017: down 8%) to R1.2 billion (H1 2017: R1.1 billion). Our continued focus on cost control and a one-off tax credit of R31 million (R26 million tax and R5 million related interest) resulted in the JSE's earnings after tax increasing by 34% to R561 million (H1 2017: R419 million). Costs are down by 5% (H1 2017: up 1%) to R613 million (H1 2017: R644 million).

Group earnings before interest and tax (EBIT) are up by 29% to R582 million (H1 2017: R453 million). Earnings per share (EPS) increased by 33% to 654.7c (H1 2017: 490.9c) and headline earnings per share (HEPS) increased by 34% to 654.6c (H1 2017: 488.9c).

### Operating revenue

Operating revenue increased by 7% (H1 2017: down 8%) to R1.2 billion (H1 2017: R1.1 billion). The following contributions to revenue are noteworthy:

- Primary Market revenue is flat at R82 million. There were ten new Equity Market listings in the first half (H1 2017: 8), but this was largely offset by a decline in additional capital raised.
- Capital Markets:
  - Cash Equities Market revenue rose by 12% to R277 million owing to the 11% increase in billable value traded and the increase in the effective price as a result of the trade sizes executed by members;
  - Equity Derivatives Market revenue decreased by 10% to R75 million. Value traded was up by 4% however, this was offset by a greater percentage of trades executed at lower price ranges;
  - Currency Derivatives Market revenue decreased by 2% to R23 million. Contracts traded increased by 7%. However, the growth was offset by a decline in the effective rate as a result of the trade sizes executed by members;
  - Commodity Derivatives Market revenue increased by 18% to R37 million owing to an 11% increase in the number of contracts traded as well as annual price increases. Spread trading activity picked up in the first half of 2018 on the back of large carry-over stock from the previous season;
  - Interest Rate Market:
    - Bond Market revenue rose by 11% to R23 million owing to a 13% increase in bond nominal value traded;
    - Interest Rate Derivatives Market revenue grew by 14% to R3 million owing to an increase in the number of contracts traded (up 26%);
- Post-Trade Services:
  - Equity clearing and settlement revenue increased by 13% to R211 million following the 11% increase in billable value traded in the Equity Market;
  - BDA revenue declined by 2% to R147 million because the number of transactions declined by 5%. This was somewhat offset by a higher pricing mix; and
- Information Services revenue increased by 7% to R134 million, largely owing to an increase in the use of existing products and some new business.

### Other income

Other income increased by R28 million to R42 million. Revenue growth was positively impacted by a forex gain of R17 million (2017: R7 million forex loss) on foreign denominated assets. The JSE holds USD12 million in cash (2017: USD14 million).

### Operating expenditure

The Group is tracking on target to deliver the committed R170 million cost savings by end 2019.

Of the R613 million in operating expenses, personnel expenses decreased by R43 million, down 17%, to R202 million (H1 2017: R245 million). This is largely made up as follows:

- Gross remuneration which decreased by 19% as a result of the 22% lower average headcount. Our exit headcount on 30 June was 362 (H1 2017: 454). This contributed -12 percentage points.
- The long-term incentive scheme (LTIS 2010) charges which decreased by R16 million to R10 million (2017: R26 million) owing to timing differences in vesting (-R9 million) and a higher proportion of LTIS vesting in the prior year (-R7m). This contributed -6 percentage points.

Technology costs declined by R13 million, down 10%, to R116 million (H1 2017: R129 million), primarily due to cost optimisation initiatives.

Depreciation decreased by R4 million, down 7%, to R54 million (H1 2017: R58 million), largely owing to the net effect of fully depreciated assets.

General expenses rose by R29 million, up 14%, to R241 million (H1 2017: R212 million). This is largely made up as follows:

- Growth in expenses of R8 million mostly related to Strate ad valorem which is fully offset by revenue.
- Increased Internal audit and compliance spend of R7 million as part of an enhanced co-sourced engagement model.

### Strong balance sheet

The Group cash balance is strong, at R2.4 billion. Group capital expenditure on various strategic initiatives was R42 million. All currently planned investments and capital requirements for 2018 can be funded from the Group's own resources.

### Regulation

The Group holds sufficient capital to meet its regulatory requirements. However, we adopt a more prudent approach and hold further economic capital.

### Strategic focus

We are delighted to have launched the pilot phase of the electronic trading platform (ETP) for government bonds with National Treasury and the Primary Dealers on 18 July 2018.

A tiered billing model for the Cash Equities Market was introduced with effect from 30 July 2018. This decision follows extensive formal consultation with members, several rounds of internal reviews and global benchmarking exercises. Each of these steps resulting in more favourable pricing for the market as a whole.

Our focus for the second half of 2018 remains on projects designed to strengthen the delivery of the JSE's strategic vision and our long-term growth strategy so that we are able to better service our clients. In particular, we are coming to the closing stages of our Integrated Trading and Clearing (ITaC) project 1b and c. This will provide clients with robust trading and clearing technology in our equity derivatives and currency markets and introduce more sophisticated trading and risk management functionality, enabling us over time to reduce the cost of transacting in those markets.

### Prospects

We are clear about our 2018 priorities and hence what we need to do to deliver a better service to our clients and to grow this business sustainably.

The JSE is a largely fixed-cost business. Therefore we will maintain our focus on costs, while making the necessary capital investments in areas that will enhance the Group's service offering and sustainability.

Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance in 2018.

### Changes to the Board of directors and executive committee

During 2018, the following changes were made to the Board:

- At the annual general meeting (AGM) held on 17 May 2018: Anton Botha, Andile Mazwai and Nomavuso Mnxasana, independent non-executive directors, retired.
- Nigel Payne will step down from the Board as a non-executive director with effect from 3 August 2018, following his appointment as chairman of Strate (Pty) Limited.
- Barend Johannes (Ben) Kruger joined the Board as a non-executive director with effect from 1 June 2018.

The following changes were made to the executive committee:

- Mark Randall was appointed to the executive committee as director of Information Services effective from 1 July 2018.
- Tshwantsho Matsena resigned from the executive committee as chief information officer (CIO) effective from 31 August 2018. Len de Villiers joined the JSE as interim CIO on 1 July and has been appointed in this role until end-December 2018, by which date we plan to have a permanent CIO in place.

### Directors' responsibility statement

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting*; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Pronouncements as issued by the Financial Reporting Standards Council; and the requirements of the Companies Act of South Africa. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether owing to fraud or error.

# Commentary
**(continued)**

**Approval of financial statements**

The unreviewed condensed consolidated interim financial statements were approved by the Board of directors on 2 August 2017 and are signed on its behalf by:

**N Nyembezi**
Chairman

**N Newton-King**
Chief Executive Officer

## Consolidated statement of comprehensive income

for the six months ended 30 June 2018

| | Notes | Group 30 June 2018 R'000 | Six months ended 30 June 2017 R'000 | Year ended 31 December 2017 (audited) R'000 |
|---|---|---|---|---|
| **Revenue** | 8 | **1 152 811** | 1 079 332 | 2 229 046 |
| Other income | | **42 310** | 17 911 | 52 359 |
| Personnel expenses | 9 | **(201 996)** | (244 668) | (549 062) |
| Other expenses | 10 | **(411 205)** | (399 714) | (848 034) |
| **Profit from operating activities** | | **581 920** | 452 861 | 884 309 |
| Finance income | | **1 347 619** | 1 653 119 | 3 245 797 |
| Finance costs | | **(1 225 896)** | (1 541 781) | (3 012 846) |
| **Net finance income** | | **121 723** | 111 338 | 232 951 |
| Share of profit from associate (net of income tax) | | **28 538** | 20 500 | 34 644 |
| **Profit before income tax** | | **732 181** | 584 699 | 1 151 904 |
| Income tax expense | 11 | **(171 467)** | (165 265) | (316 396) |
| **Profit for the period** | | **560 714** | 419 434 | 835 508 |
| **Other comprehensive income** | | | | |
| **Items that are or may be reclassified to profit or loss** | | | | |
| Net change in fair value of available-for-sale financial assets | | **–** | 8 298 | 23 028 |
| Net change in fair value of available-for-sale financial assets recycled to profit or loss | | **–** | (1 722) | (12 249) |
| Change in financial instruments at fair value through other comprehensive income | | **15 185** | – | – |
| **Other comprehensive income for the year, net of income tax** | | **15 185** | 6 576 | 10 779 |
| **Total comprehensive income for the period** | | **575 899** | 426 010 | 846 287 |
| **Earnings per share** | | | | |
| Basic earnings per share (cents) | 12.1 | **654.7** | 490.9 | 977.4 |
| Diluted earnings per share (cents) | 12.2 | **650.7** | 487.7 | 970.6 |
| **Other earnings** | | | | |
| Headline earnings per share (cents) | 12.3 | **654.6** | 488.9 | 996.6 |
| Diluted headline earnings per share (cents) | 12.4 | **650.6** | 485.7 | 989.7 |

The other comprehensive income comprises of the following for the period:

(i) Balance not to be reclassified to profit and loss R15 million.

(ii) Balance that will be reclassified to profit and loss R0.2 million.

# Consolidated statement of financial position

as at 30 June 2018

| | | Group | | |
|---|---|---|---|---|
| | | As at | | As at |
| | Notes | 30 June 2018 R'000 | 30 June 2017 R'000 | 31 December 2017 (audited) R'000 |
| **Assets** | | | | |
| **Non-current assets** | | **1 330 311** | 1 274 786 | 1 315 826 |
| Property and equipment | | **162 165** | 194 858 | 186 730 |
| Intangible assets | 13 | **502 438** | 464 388 | 486 808 |
| Investment in associate | | **242 525** | 218 678 | 232 822 |
| Other investments | 18 | **329 637** | 295 864 | 316 400 |
| Loan to the JSE Empowerment Fund Trust | | **25 984** | 25 924 | 25 154 |
| Deferred taxation | | **67 562** | 75 074 | 67 912 |
| **Current assets** | | **37 639 208** | 44 451 229 | 37 372 143 |
| Trade and other receivables | | **509 317** | 541 920 | 495 105 |
| Income tax receivable | | **1 418** | 852 | 622 |
| JSE Clear Derivatives Default Fund collateral deposit | | **500 000** | 500 000 | 500 000 |
| Margin deposits | | **33 640 882** | 41 423 502 | 33 933 761 |
| Collateral deposits | | **634 648** | 920 | 65 191 |
| Cash and cash equivalents | | **2 352 943** | 1 984 035 | 2 377 464 |
| **Total assets** | | **38 969 519** | 45 726 015 | 38 687 969 |
| **Equity and liabilities** | | | | |
| **Total equity** | | **3 689 282** | 3 184 658 | 3 626 381 |
| Stated capital | | **14 017** | (23 896) | 11 614 |
| Reserves | 15 | **539 450** | 511 473 | 513 272 |
| Retained earnings | | **3 135 815** | 2 697 081 | 3 101 495 |
| **Non-current liabilities** | | **134 213** | 136 454 | 139 444 |
| Employee benefits | | **–** | 9 149 | 9 844 |
| Due to Safex members | | **1 347** | 1 347 | 1 347 |
| Deferred taxation | | **20 787** | 15 210 | 16 087 |
| Operating lease liability | | **106 170** | 100 994 | 104 084 |
| Deferred income | | **5 909** | 9 754 | 8 082 |
| **Current liabilities** | | **35 146 024** | 42 404 903 | 34 922 144 |
| Trade and other payables | | **406 462** | 478 447 | 395 514 |
| Income tax payable | | **89** | 38 240 | 9 294 |
| Employee benefits | | **63 943** | 63 794 | 118 384 |
| JSE Clear Derivatives Default Fund collateral contribution | | **400 000** | 400 000 | 400 000 |
| Margin deposits | | **33 640 882** | 41 423 502 | 33 933 761 |
| Collateral deposits | | **634 648** | 920 | 65 191 |
| **Total equity and liabilities** | | **38 969 519** | 45 726 015 | 38 687 969 |

# Consolidated statement of changes in equity

for the six months ended 30 June 2018

| Group | Stated capital R'000 | NDR R'000 | Share-based payments reserve R'000 | Total reserves R'000 | Retained earnings R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 26 693 | 415 924 | 59 776 | 475 700 | 2 767 138 | 3 269 531 |
| Profit for the period | – | – | – | – | 419 434 | 419 434 |
| Other comprehensive income | – | 6 576 | – | 6 576 | – | 6 576 |
| Total comprehensive income for the period | – | 6 576 | – | 6 576 | 419 434 | 426 010 |
| Distribution from the JSE Debt Guarantee Fund Trust[1] | – | (2 250) | – | (2 250) | 2 250 | – |
| Dividends paid to owners | – | – | – | – | (486 456) | (486 456) |
| Equity-settled share-based payments | – | – | 26 162 | 26 162 | – | 26 162 |
| Transfer of profit from investor protection funds | – | 5 285 | – | 5 285 | (5 285) | – |
| Treasury shares | (50 482) | – | – | – | – | (50 482) |
| Treasury shares – share issue costs | (107) | – | – | – | – | (107) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | (50 589) | 3 035 | 26 162 | 29 197 | (489 491) | (510 883) |
| **Balance at 30 June 2017** | (23 896) | 425 535 | 85 938 | 511 473 | 2 697 081 | 3 184 658 |
| Profit for the period | – | – | – | – | 416 074 | 416 074 |
| Other comprehensive income | – | 4 203 | – | 4 203 | – | 4 203 |
| Total comprehensive income for the period | – | 4 203 | – | 4 203 | 416 074 | 420 277 |
| LTIS Allocation 4 – shares vested | 15 565 | – | (15 565) | (15 565) | – | – |
| LTIS Allocation 5 – shares vested | 20 065 | – | (20 065) | (20 065) | – | – |
| Distribution from the JSE Debt Guarantee Fund Trust[1] | – | (2 234) | – | (2 234) | 2 234 | – |
| Dividends paid to owners | – | – | – | – | – | – |
| Equity-settled share-based payments | – | – | 21 566 | 21 566 | – | 21 566 |
| Transfer of profit from investor protection funds | – | 13 894 | – | 13 894 | (13 894) | – |
| Treasury shares | (8) | – | – | – | – | (8) |
| Treasury shares – share issue costs | (112) | – | – | – | – | (112) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | 35 510 | 11 660 | (14 064) | (2 404) | (11 660) | 21 446 |
| **Balance at 31 December 2017** | **11 614** | **441 398** | **71 874** | **513 272** | **3 101 495** | **3 626 381** |
| Profit for the period | **–** | **–** | **–** | **–** | **560 714** | **560 714** |
| Other comprehensive income | **–** | **15 185** | **–** | **15 185** | **–** | **15 185** |
| Total comprehensive income for the period | **–** | **15 185** | **–** | **15 185** | **560 714** | **575 899** |
| Distribution from the JSE Debt Guarantee Fund Trust[1] | **–** | **(2 169)** | **–** | **(2 169)** | **2 169** | **–** |
| Dividends paid to owners | **–** | **–** | **–** | **–** | **(524 999)** | **(524 999)** |
| Equity-settled share-based payment | **–** | **–** | **9 598** | **9 598** | **–** | **9 598** |
| Transfer of profit from investor protection funds | **–** | **3 564** | **–** | **3 564** | **(3 564)** | **–** |
| Treasury shares | **2 418** | **–** | **–** | **–** | **–** | **2 418** |
| Treasury shares – share issue costs | **(15)** | **–** | **–** | **–** | **–** | **(15)** |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | **2 403** | **1 395** | **9 598** | **10 993** | **(526 394)** | **(512 998)** |
| **Balance at 30 June 2018** | **14 017** | **457 978** | **81 472** | **539 450** | **3 135 815** | **3 689 282** |
| Note | 16 | 15 | 15 | | | |

[1] *The JSE Debt Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R2.2 million (December 2017: R4.5 million) (June 2017: R2.3 million) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.*

# Consolidated statement of cash flows

for the six months ended 30 June 2018

| | Group | | |
|---|---|---|---|
| | **Six months ended** | | Year ended |
| | **30 June 2018** | 30 June 2017 | 31 December 2017 (audited) |
| | **R'000** | R'000 | R'000 |
| **Cash flows from operating activities** | | | |
| Cash generated by operations | **588 689** | 480 538 | 998 367 |
| Finance income | **1 357 826** | 1 688 130 | 3 326 655 |
| Finance costs | **(1 260 417)** | (1 555 445) | (3 053 521) |
| Dividends received | **2 472** | 1 601 | 3 696 |
| Taxation paid | **(166 516)** | (126 865) | (298 673) |
| **Net cash generated by operating activities** | **522 054** | 487 959 | 976 524 |
| **Cash flows from investing activities** | | | |
| Proceeds on sale of other investments | **15 158** | 19 249 | 30 296 |
| Acquisition of other investments | **(13 155)** | (13 344) | (30 197) |
| Dividends from associate | **18 834** | 24 972 | 24 972 |
| Proceeds from disposal of property and equipment | **123** | – | 150 |
| Leasehold improvements | **–** | (1 064) | (1 683) |
| Acquisition of intangible assets | **(41 630)** | (44 928) | (115 958) |
| Acquisition of property and equipment | **(3 309)** | (46 547) | (64 259) |
| **Net cash used in investing activities** | **(23 979)** | (61 662) | (156 679) |
| **Cash flows from financing activities** | | | |
| Acquisition of treasury shares | **(33)** | (50 590) | (50 709) |
| Proceeds from sale of treasury shares | **2 436** | – | – |
| Dividends paid | **(524 999)** | (486 456) | (486 456) |
| **Net cash used in financing activities** | **(522 596)** | (537 046) | (537 165) |
| Net (decrease)/increase in cash and cash equivalents | **(24 521)** | (110 749) | 282 680 |
| Cash and cash equivalents at 1 January | **2 377 464** | 2 094 784 | 2 094 784 |
| **Cash and cash equivalents at end of period** | **2 352 943** | 1 984 035 | 2 377 464 |

# Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2018

## 1. Reporting entity

JSE Limited (the "JSE" or the "Company") is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, 19 of 2012. The JSE has the following main lines of business: Capital Markets, Post-Trade Services and Information Services. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the "Group" and individually as "Group entities") and reflect the Group's interest in associates.

## 2. Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs), IAS 34 Interim Financial Reporting, the SAICA financial reporting guides as issued by the Accounting Practice Commitee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 2008.

## 3. Changes in accounting policies

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

**IFRS 9 (Financial Instruments)**

IFRS 9 was effective for the current period. As permitted by IFRS 9, the JSE has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The impact of IFRS 9 relates to the investor protection fund investments for which all fair value gains/losses relating to equity instruments are recognised in other comprehensive income and not reclassified to profit or loss on disposal. Debt instruments are subsequently classified to profit/loss upon realisation of the investment. There is, however, no material impact from IFRS 9 on the Interim Condensed Consolidated Financial Statements.

**IFRS 15 (Revenue from Contracts with Customers)**

Application of the standard is mandatory for reporting periods beginning on or after 1 January, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 (Revenue) and has no material effect on the prior year and current year presentation of JSE Limited results of consolidated statement of comprehensive income and financial position.

**IFRS 15 – Disaggregation**

The impact of adopting IFRS 15, does not result in any further disaggregation of revenue as compared to the segmental report of the financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 4. Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2017 and the year ended 31 December 2017.

## 5. Use of estimates and judgements

Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2017.

## 6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

## 7. New standards and interpretations not yet adopted

A new standard has been issued by the International Accounting Standards Board (IASB) prior to the publication of these financial statements, but is effective only in future accounting periods, as listed below:

**IFRS 16: Leases – effective date : 1 January 2019**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

Early adoption is permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

| | Six months ended | | Year ended |
|---|---|---|---|
| | **30 June 2018** | 30 June 2017 | 31 December 2017 (audited) |
| | **R'000** | R'000 | R'000 |

## 8. Revenue and operating segments

| | **30 June 2018 R'000** | 30 June 2017 R'000 | 31 December 2017 (audited) R'000 |
|---|---|---|---|
| **Revenue comprises:** | | | |
| Capital markets | | | |
| Colocation fees | **7 262** | 9 998 | 20 068 |
| Commodity derivatives fees | **37 434** | 31 666 | 68 365 |
| Company services fees | **5 139** | – | – |
| Currency derivatives fees | **23 217** | 23 710 | 47 943 |
| Equity derivatives fees | **75 268** | 84 083 | 169 769 |
| Equity market fees | **277 143** | 251 082 | 506 692 |
| Interest rate market fees* | **26 763** | 24 088 | 50 076 |
| Primary market fees | **82 028** | 81 854 | 181 005 |
| Post-trade services | | | |
| Back-office Services (BDA) | **147 091** | 148 824 | 292 911 |
| Clearing and settlement fees | **211 011** | 186 319 | 383 794 |
| Funds under management | **52 846** | 46 281 | 95 737 |
| Information services | | | |
| Index fees | **16 786** | 15 318 | 50 021 |
| Market data fees | **117 028** | 107 376 | 221 702 |
| **Total revenue excluding Strate *ad valorem* fees – Cash** | **1 079 016** | 1 010 599 | 2 088 083 |
| Strate *ad valorem* fees – bonds | **7 113** | 6 134 | 12 831 |
| Strate *ad valorem* fees – cash equities | **66 682** | 62 599 | 128 132 |
| | **1 152 811** | 1 079 332 | 2 229 046 |

**Restated – Strate ad valorem fees – bonds previously included in interest rate market fees.*

## 9. Personnel expenses

| | **30 June 2018 R'000** | 30 June 2017 R'000 | 31 December 2017 (audited) R'000 |
|---|---|---|---|
| Remuneration paid | **(191 888)** | (218 762) | (503 640) |
| Gross amount paid | **(197 865)** | (226 487) | (521 194) |
| *Less:* Capitalised to intangible assets | **5 977** | 7 725 | 17 554 |
| Long-term incentive schemes | **(10 108)** | (25 906) | (45 422) |
| | **(201 996)** | (244 668) | (549 062) |

## 10. Other expenses

| | **30 June 2018 R'000** | 30 June 2017 R'000 | 31 December 2017 (audited) R'000 |
|---|---|---|---|
| Other expenses | **(295 188)** | (270 971) | (591 370) |
| Technology costs | **(116 017)** | (128 743) | (256 664) |
| | **(411 205)** | (399 714) | (848 034) |

## 11. Income tax expense

The Group's consolidated effective tax rate for the six months ended 30 June 2018 is 24% (for the six months ended June 2017: 28%; for the year ended 31 December 2017: 27%). Included in the 2018 tax charge is a R26 million tax credit relating to deductible expenditure claims on an IT system for the 2010 and 2011 tax years. Interest of R5 million thereon has been recognised in finance income.

| | Six months ended | | Year ended |
|---|---|---|---|
| | **30 June 2018** | 30 June 2017 | 31 December 2017 (audited) |
| | **R'000** | R'000 | R'000 |

## 12. Earnings and headline earnings per share

| | | | |
|---|---|---|---|
| **12.1 Basic earnings per share** | | | |
| Profit for the year attributable to ordinary shareholders | **560 714** | 419 434 | 835 508 |
| Weighted average number of ordinary shares: | | | |
| Issued ordinary shares at 1 January | **86 877 600** | 86 877 600 | 86 877 600 |
| Effect of own shares held (JSE LTIS 2010) | **(1 239 187)** | (1 440 033) | (1 394 954) |
| Weighted average number of ordinary shares at 30 June/31 December | **85 638 413** | 85 437 567 | 85 482 646 |
| Basic earnings per share (cents) | **654.7** | 490.9 | 977.4 |
| **12.2 Diluted earnings per share** | | | |
| Profit for the year attributable to ordinary shareholders | **560 714** | 419 434 | 835 508 |
| Weighted average number of ordinary shares (diluted): | | | |
| Weighted average number of ordinary shares at 30 June/31 December (basic) | **85 638 413** | 85 437 567 | 85 482 646 |
| Effect of LTIS Share Scheme | **529 586** | 562 911 | 598 795 |
| Weighted average number of ordinary shares (diluted) | **86 167 999** | 86 000 478 | 86 081 441 |
| Diluted earnings per share (cents) | **650.7** | 487.7 | 970.6 |
| The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices using a volume-weighted average price for the period | | | |
| **12.3 Headline earnings per share** | | | |
| Reconciliation of headline earnings: | | | |
| Profit for the year attributable to ordinary shareholders | **560 714** | 419 434 | 835 508 |
| Adjustments are made to the following: | | | |
| Profit on disposal of property and equipment | **(89)** | (11) | (76) |
| – Gross amount | **(123)** | (15) | (105) |
| – Taxation effect | **34** | 4 | 29 |
| Nautilus MAP Operations Proprietary Limited impairment loss | **–** | – | 24 564 |
| – Gross amount | **–** | – | 24 564 |
| – Taxation effect | **–** | – | – |
| Share of investment in associate system impairment | **–** | – | 4 216 |
| Net realised loss/(gain) on disposal of available-for-sale financial assets (no taxation effect) | **–** | (1 722) | (12 249) |
| Headline earnings | **560 625** | 417 701 | 851 963 |
| Headline earnings per share (cents) | **654.6** | 488.9 | 996.6 |
| **12.4 Diluted headline earnings per share** | | | |
| Diluted headline earnings per share (cents) | **650.6** | 485.7 | 989.7 |

## 13. Intangible assets

Included in the intangible asset of R502 million (June 2017: R464 million; December 2017: R487 million) is work in progress of R282 million (June 2017: R212.6 million; December 2017: R281 million), mainly in respect of integrated trading and clearing.

## 14. Financial instruments

The carrying amount of all significant financial instruments approximates the fair value.

| | Six months ended | | Year ended |
|---|---|---|---|
| | **30 June 2018** | 30 June 2017 | 31 December 2017 (audited) |
| | **R'000** | R'000 | R'000 |
| **15. Reserves** | | | |
| Investor protection funds[1] | **457 978** | 425 535 | 441 398 |
| – JSE Debt Guarantee Fund Trust | **113 317** | 110 918 | 112 234 |
| – JSE Derivatives Fidelity Fund Trust | **181 722** | 163 049 | 171 624 |
| – JSE Guarantee Fund Trust | **162 939** | 151 568 | 157 540 |
| Non-distributable reserves | **457 978** | 425 535 | 441 398 |
| JSE LTIS 2010 reserve[2] | **81 472** | 85 938 | 71 874 |
| | **539 450** | 511 473 | 513 272 |

*[1] These funds were established for the purpose of investor protection in the event of a member defaulting in the Equity, Equity Derivatives and Bond Markets.*

*[2] This reserve relates to the portion of the LTIS 2010 Long-Term Incentive Scheme that has been expensed to date.*

## 16. Share-based payments

### (i) Vesting of Allocation 5 Tranche 2 and Allocation 6 Tranche 1

Both tranches will vest in August 2018. All LTIS 2010 participants in the employ of the Company as at 1 June 2018 will be eligible to participate in the vesting of these Tranches in accordance with the terms and conditions of the Scheme rules.

Fair value charge to profit and loss.

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2010 is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **R'000** | R'000 |
| Allocation #4 (granted in May 2013) | **–** | 2 575 |
| Allocation #5 (granted in May 2014) | **599** | 8 849 |
| Allocation #6 (granted in June 2015) | **1 881** | 2 181 |
| Allocation #7 (granted in October 2016) | **4 463** | 6 154 |
| Allocation #8 (granted in March 2017) | **2 640** | 2 492 |
| | **9 583** | 22 251 |

### (ii) Vesting of bonus shares during the period under review

A bonus share scheme was effected in March 2015 for all eligible staff at that date. Bonus shares were awarded as part of the annual discretionary bonus based on the prior year's financial results. All staff received 52 JSE Limited ordinary shares. These bonus shares vested in March 2018. If a recipient of the bonus shares was no longer in JSE employment in March 2018, the awards were forfeited unless they were retrenched. There are no performance conditions attached to these bonus shares.

## 17. Contingent liabilities and commitments

There were no material changes to the contingent liabilities and commitments as disclosed in the annual financial statements for 31 December 2017.

## 18. Fair value estimation

Financial instruments measured in the statement of financial position at fair value require disclosure. The following is the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total balance R'000 |
|---|---|---|---|---|
| **30 June 2018** | | | | |
| Financial instruments held at fair value through other comprehensive income | **135 749** | **193 887** | **–** | **329 636** |
| **30 June 2017** | | | | |
| Available-for-sale financial assets | 149 404 | 146 460 | – | 295 864 |
| **31 December 2017** | | | | |
| Available-for-sale financial assets | 146 294 | 170 105 | – | 316 399 |

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group pricing market transactions on an arm's length basis and transactions occur regularly. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as financial instruments held at fair value through other comprehensive income.

The fair vale of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on equity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The investment in debt instruments is classified as level 2. We consider level 2 to be more appropriate (than the previously classified level 1) as the debt market is a reported market without quoted prices. This has now been classified as level 2 financial asset.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. For all other financial assets and liabilities, the carrying value approximates the fair value.

## 19. Events after reporting date

There have been no material events that would require adjustment or disclosure in the interim financial statements between 30 June 2018 and the date of this report.

Sandton
2 August 2018

**Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)**

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